

VZCZCXRO2819
RR RUEHCHI RUEHDT RUEHHM RUEHNN
DE RUEHGP #0285/01 0400918
ZNY CCCCC ZZH
R 090918Z FEB 07
FM AMEMBASSY SINGAPORE
TO RUEHC/SECSTATE WASHDC 2433
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 2421
RUEHBY/AMEMBASSY CANBERRA 1831
RUEHNE/AMEMBASSY NEW DELHI 1704
RUEHKO/AMEMBASSY TOKYO 5575
RUEHHK/AMCONSUL HONG KONG 6157
RUEHIN/AIT TAIPEI 6404

C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 000285

SIPDIS

SIPDIS

STATE FOR AMBASSADOR GROSS

E.O. 12958: DECL: 02/10/2007

TAGS: [ECON](#) [ETRD](#) [ECPS](#) [EINV](#) [EFIN](#) [PREL](#) [SN](#)

SUBJECT: TEMASEK CEO HO CHING SURVEYS THE REGION

REF: SINGAPORE 221

Classified By: Economical and Political Chief Ike Reed;
reasons 1.4 (b) and (d)

11. (C) Summary. Temasek Holdings CEO Ho Ching (also wife of Prime Minister Lee Hsien Loong) told Ambassador David Gross that she was pessimistic about ASEAN's future. Thailand's interim government was obsessed with "everything Thaksin" and, having come up short on evidence to implicate the former Prime Minister, was now blaming Singapore. She asked the USG to weigh in on Temasek's behalf. Ho Ching foresaw more posturing and few new policies coming out of Indonesia as the 2009 election distracted the leadership and further exacerbated tensions between President Yudhoyono and Vice President Kalla. Malaysia was resource-rich, but the country had lost its way amidst spats between former Prime Minister Mahathir and his successor, Abdullah Badawi. She lauded Philippines President Arroyo's economic team and policies, but worried that restricting the president to serving only one, six-year term created too much political uncertainty. Vietnam's leaders did not want to fall behind China, but their limited knowledge of how markets worked and xenophobic tendencies worked against these ambitions. India enjoyed an advantage over China because the majority of its companies were privately owned and its political and business elite spoke English. A stable China and India were of primary importance to Singapore, Ho concluded. End summary.

12. (U) U.S. Coordinator for International Communications and Information Policy Ambassador David Gross visited Singapore February 4-6 at the invitation of the Infocomm Development Authority (IDA) as part of IDA's Distinguished Infocomm Speakers series. His speech, entitled "Global Trends and Converging Expectations," was covered by Singapore-based media. In addition to CEO Ho Ching, who heads Temasek Holdings, the Singapore government's investment arm, Ambassador Gross met with Minister for Information, Communications, and the Arts Lee Boon Yang, ST Telemedia CEO Lee Theng Kiat, StarHub Cable Vision CEO Mike Reynolds, and members of the U.S. business community, including the American Chamber of Commerce. He also met with academics from Nanyang Technological University (NTU) and journalists from Singapore Press Holdings, and was interviewed by the Straits Times.

ASEAN's Hankering for a Mythical, Golden Age

13. (C) Ho Ching told Ambassador Gross that she was pessimistic about ASEAN's future. Its members were hindered

by a lack of leadership, a dearth of knowledge about how a market economy works, and a "hankering for a mythical, golden age," she said; Singapore was the exception among ASEAN nations. Resource-rich ASEAN countries (like Thailand and Indonesia) should be booming as China and India demanded more raw materials to fuel their rapidly expanding economies. She pointed out that Thailand, for example, would barely manage four or five percent growth instead of the seven percent forecast a year ago.

Thailand

14. (C) The interim government was driving Thailand into the ground, Ho Ching asserted. They were obsessed with "everything Thaksin," including "petty matters" like his interviews with CNN and the Asian Wall Street Journal. (Note: Thaksin's mid-January visit to Singapore, during which he gave interviews to major international media, heightened strains in Singapore-Thai relations over Temasek's controversial US\$1.9 billion purchase from Thaksin's family last year of Shin Corp, one of Thailand's largest media and telecom conglomerates. See reftel. End note.) Ho Ching said the interim government was determined to find something to implicate Thaksin, but having failed to do so, they blamed Singapore and accused it of holding assets in trust for Thaksin; the Thais need to get over it -- he's gone, she said. Thailand's military leaders failed to understand that the world had changed. They should have learned something after investors reacted negatively to amendments made to the Foreign Business Act. Instead, the government had continued with its anti-foreign tactics, most recently by "whacking" the pharmaceutical companies, she claimed.

SINGAPORE 00000285 002 OF 003

15. (C) Thailand's stability was under siege, according to Ho Ching; the ailing King enjoyed universal respect, but not the Crown Prince. The country's fate would depend on the outcome of the upcoming elections and how much the constitution was amended. If the new constitution allowed for a military-dominated government, then Thailand would become an "island that steps back in time," Ho Ching warned. Management of the economy would devolve into a power struggle as competing interests vied for the loot.

16. (C) Ho Ching predicted that Thailand's problems with its Muslim minority in the south would fester for at least the next fifteen years, much like the situation in Mindanao in the southern Philippines. However, the Muslim issue would not factor significantly into current Bangkok politics. She noted that some investors had begun hedging their bets by building resorts in Vietnam to offset potential losses in tourist revenues from popular Thai destinations like Phuket should Muslim discontent spread north.

17. (C) Without making a direct reference to Temasek's bungled investment in Shin Corp, Ho Ching told Ambassador Gross that she might want to consult with him periodically about the situation in Thailand. She emphasized that any efforts by the USG to weigh in on Temasek's behalf would be appreciated.

Indonesia

18. (C) Ho Ching foresaw more posturing and a dearth of new policies coming out of the GOI due to ongoing tensions between President Yudhoyono and Vice President Kalla in the run up to the 2009 election. High commodity prices provided a temporary windfall for Indonesia's economy, but the government would need to reform its labor laws and secure large investments in infrastructure if it were to finally get the country on a sustainable growth path. Corruption would continue to undermine this process, Ho Ching commented. The CEO of ST Telemedia, which has a 42-percent stake in Indosat,

Indonesia's second-largest telecommunications company, had told her that Indosat had saved an estimated S\$100 million (US\$65 million) through more stringent procurement practices, thus depriving GOI middlemen of their customary take, Ho claimed. (Note: As in Thailand, Singapore has come under fire in recent years from Indonesian labor unions and media for its dominant stake in Indonesia's telecom sector acquired by Temasek-owned companies SingTel and ST Telemedia. End note.)

Malaysia

¶9. (C) Malaysia was resource-rich, but its leadership was at a loss about the direction it wanted to take the economy, Ho Ching asserted. Regardless of what one thought of Mahathir's peculiar style, the former Prime Minister had a vision for Malaysia. He had tried to pull Malaysia into the modern world by focusing on investment in infrastructure and other key areas. The current spat between Mahathir and his successor, Prime Minister Abdullah Badawi, hurt Malaysia; you can't run a country based solely on anti-Mahathir policies, she concluded.

Philippines

¶10. (C) Ho Ching praised Philippines President Arroyo for getting her economic policies right. Arroyo was smart and had brought well-trained professionals into her cabinet. These officials were generally "clean," lending credibility to Arroyo's efforts to combat corruption more broadly. However, such progress was overshadowed by the uncertainty of who would lead the country after Arroyo's six-year term ended, Ho Ching cautioned. She wondered whether Arroyo's successor would be another person like former President Estrada, which would condemn the Philippines to further mismanagement. The Philippines needed to adopt either a parliamentary system or a two four-year term system like that of the United States, she suggested.

Vietnam

SINGAPORE 00000285 003 OF 003

¶11. (C) Ho Ching observed that Vietnam was moving forward, albeit from a low base. Growth prospects were bright in comparison to underperformers like Thailand, Indonesia, and Malaysia. Vietnam's leaders did not want to be left behind China, but their lack of understanding about how markets work and a persistent xenophobic streak had resulted in some missteps, she noted.

China and India

¶12. (SBU) Ho Ching told Ambassador Gross that, although Temasek had not done much business in China's telecom sector, it was active in facilitating information exchange and training in an attempt to expose Chinese businesses and government officials to international best practices. Ambassador Gross noted that China was a huge market, but still primarily inward looking and insular. Singapore could set a good example for China in terms of greater transparency, increased integration, and incentives to abide by an accepted set of international rules, he said. Ho Ching agreed, but said that China was hindered by an older generation of leaders who had not been educated abroad; the situation would improve over the next ten years as a larger cadre of officials educated overseas moved up the ranks.

¶13. (SBU) Ho Ching expressed optimism about India. The market liberalization process was taking root, and the debate among political parties, including the communists, had evolved into one that was less about whether to pursue

economic reform and more about the pace it should take. Leaders in India and China understood the benefits of opening up and engaging global markets much better than Singapore's ASEAN's neighbors, Ho Ching claimed. India enjoyed an advantage over China because the majority of companies were privately owned and its political and business elite spoke English. Admittedly, India had its share of inward-looking state-owned enterprises, but their potential drag on the economy was mitigated by private sector stars like Tata and Reliance Industries. In contrast, China had previously "chased out" most of its entrepreneurs to Hong Kong and Taiwan, she said. Large Chinese SOEs were still learning about outside markets, though she acknowledged they were learning fast. A stable China and India were of primary importance to Singapore and the region, Ho concluded.

¶14. (U) Ambassador Gross cleared this message.
HERBOLD